SENATE RECORD VOTE ANALYSIS

104th Congress — May 16, 1996, 9:07 p.m.

2nd Session — **Vote No. 118** — Page S-5175 Temp. Record

BUDGET RESOLUTION/Medicare Trust Fund Solvency

SUBJECT: **Senate Concurrent Budget Resolution for fiscal years 1997-2002 . . . S. Con. Res. 57. Abraham/Domenici amendment No. 3980.**

ACTION: AMENDMENT AGREED TO, 53-45

SYNOPSIS: As reported, S. Con. Res. 57, the Concurrent Budget Resolution for fiscal years 1997-2002, will balance the Federal budget in fiscal year (FY) 2002 by slowing the overall rate of growth in spending over the next 6 years to below the rate of growth in revenue collections. The rate of growth in entitlements such as Medicare, Medicaid, the Aid to Families with Dependent Children program, and the Earned Income Credit will be slowed. No changes will be made to the Social Security program, the spending for which will grow from $348 billion in FY 1996 to $467 billion in FY 2002. Defense spending will be essentially frozen at its present level.

The Abraham/Domenici amendment would express the sense of Congress that in achieving the spending levels specified in this resolution, Congress assumes that it: (1) will keep the Medicare hospital insurance trust fund solvent for more than a decade, as recommended by the President; and (2) will accept the President's proposed level of Medicare part B savings of $44.1 billion over the period 1997 through 2002; but (3) will reject the President's proposal to transfer home health care spending from Medicare Part A to Medicare Part B, which would threaten the delivery of home health care services to 3.5 million Medicare beneficiaries, would artificially inflate the solvency of the Medicare hospital insurance trust fund, and would increase the burden on general revenues, including income taxes paid by working Americans, by $55 billion.

Those favoring the amendment contended:

This sense-of-the-Senate amendment would make three main points. First, the Republican budget proposal and the President's budget proposal on Part B Medicare savings are identical--the Republicans accepted the President's suggestions. Second, the Republicans agreed with the President that any resolution that passes should ensure that the Medicare Part A trust fund

(See other side)

YEAS (53)			NAYS (45)			NOT VOTING (2)	
Republicans (52 or 100%)		Democrats (1 or 2%)	Republicans (0 or 0%)	Democrats (45 or 98%)		Republicans (1)	Democrats (1)
Abraham	Helms	Heflin		Akaka	Inouye	Kassebaum-2	Pryor-2
Ashcroft	Hutchison			Baucus	Johnston		
Bennett	Inhofe			Biden	Kennedy		
Bond	Jeffords			Bingaman	Kerrey		
Brown	Kempthorne			Boxer	Kerry		
Burns	Kyl			Bradley	Kohl		
Campbell	Lott			Breaux	Lautenberg		
Chafee	Lugar			Bryan	Leahy		
Coats	Mack			Bumpers	Levin		
Cochran	McCain			Byrd	Lieberman		
Cohen	McConnell			Conrad	Mikulski		
Coverdell	Murkowski			Daschle	Moseley-Braun		
Craig	Nickles			Dodd	Moynihan		
D'Amato	Pressler			Dorgan	Murray		
DeWine	Roth			Exon	Nunn		
Dole	Santorum			Feingold	Pell		
Domenici	Shelby			Feinstein	Reid		
Faircloth	Simpson			Ford	Robb		
Frist	Smith			Glenn	Rockefeller		
Gorton	Snowe			Graham	Sarbanes		
Gramm	Specter			Harkin	Simon		
Grams	Stevens			Hollings	Wellstone		
Grassley	Thomas				Wyden		
Gregg	Thompson						
Hatch	Thurmond						
Hatfield	Warner						

EXPLANATION OF ABSENCE:
1—Official Buisiness
2—Necessarily Absent
3—Illness
4—Other

SYMBOLS:
AY—Announced Yea
AN—Announced Nay
PY—Paired Yea
PN—Paired Nay

Compiled and written by the staff of the Republican Policy Committee—Don Nickles, Chairman

(hospitalization) stays solvent for at least 10 years. The amendment thus would start with the two main points of agreement. Then, the amendment would move to the main point of disagreement between Republicans and the President, by expressing the sense of the Senate that home health care services should not be transferred from Part A to Part B.

This point of disagreement is substantial, to say the least. The President has proposed this transfer for $55 billion in "savings." Not one cent in real savings would accrue, however. Starting this year, the amount of money going into the Part A Trust fund is not enough to cover the amount of money going out to pay beneficiaries. The total Part A deficit at the end of this year is expected to be $37 million. Next year, and each year thereafter, it will be much greater. Medical expenses are rising, but the main problem is that people are living much longer and thus collecting benefits for much longer periods of time, and, due to declining birth rates, many fewer people are working and paying into Medicare. The program is so large, and its expenses are growing so rapidly, that it together with Medicaid may well bankrupt the country within a few years if structural changes are not made.

The President's transfer of $55 billion in spending from Part A to Part B is not a structural change; it is a bookkeeping change. Making this change with out making any other changes will not in any way affect either the need for home health care services or the cost of providing them. The only difference with the President's proposal is that the spending will not be scored as depleting the Part A trust fund. Using the President's logic, we could just take all of Part A and Part B spending and put it in the general fund, and then claim to have solved the problem of Medicare's insolvency for all eternity.

Part A, for hospitalization, is mandatory. It is financed entirely through payroll taxes. Part B, for doctors' services, is voluntary. Most beneficiaries enroll in Part B, though, because they only pick up 25 percent of the costs, with the taxpayers footing the bill for the other 75 percent. The Part A and Part B trust funds, like all trust funds, do not hold cash; they hold Treasury notes. Any year there is a surplus that surplus, by law, is invested in Treasury notes. The money used to buy the notes goes into the general fund of the Treasury. If the Government then runs a deficit in that year (as it has every year for 30 years), all that money and then some is spent. Nothing is saved--the Government runs a debt, and gives its trust fund that ran a surplus Treasury note IOUs.

The Medicare Part A trust fund has approximately $130 billion dollars worth of Treasury notes. At current projected revenue and spending levels, it is expected that it will have to redeem all of those notes by the year 2001 (or maybe even earlier). In the next few years, if Congress and the President do nothing and allow Medicare to careen toward bankruptcy, they will have only three choices for coming up with the money to redeem those notes between now and Medicare's 2001 insolvency date: Increase the deficit by $130 billion, raise taxes by that amount, or cut other spending. In 2001, the program will still be broke.

Neither Congress nor the President wants Medicare to go broke. This Republican Congress, in the underlying budget resolution, has proposed a series of reforms that will extend the solvency of the program for a decade. The President has proposed transferring home health care spending from Part A to Part B, which will also extend solvency for a decade. However, the Republicans' plan is far preferable. Their plan will reduce Medicare outlays by making reforms that will actually increase the type and quality of Medicare services provided. Senior citizens will have much greater health care choices, instead of having to rely on the single, heavily bureaucratized health plan run out of Washington, D.C. Under the Republicans' plan, taxes will not be raised, and the deficit will not be increased. The President's plan, in contrast, will not change in any way the operation of Medicare. The $55 billion in spending that will be transferred out of the Part A fund will still be spent; the only difference is that trust fund notes will not have to be redeemed to pay the costs. The American taxpayers will still have to come up with that amount in new taxes or spending cuts, or that amount will have to be added to the deficit. All the President will accomplish with his plan is that Medicare will hold Treasury notes for a longer period of time. His plan will in no way address the structural problem with Medicare. By 2006, if present trends continue, Medicare, Medicaid, Social Security, Federal retirement, and interest on the debt will consume nearly every penny in Federal spending. Money will not be available for any other Federal spending unless taxes are raised or unless it is deficit spending. The President's plan ignores this fact. It does nothing to control the rate of growth in Medicare; it simply allows $55 billion of its spending to come from the general fund (75 percent) and Part B (25 percent) instead of from the Part A fund. This plan is a gimmick that should not be supported. We thus strongly urge the adoption of the Abraham/Domenici amendment.

Those opposing the amendment contended:

Our colleagues proposals to reform Medicare would not reform it--they would destroy it. They have made proposals that will result in savings well beyond what is necessary because they want the money to balance the budget and to pay for tax cuts for wealthy Americans. Their plan, admittedly, will extend the solvency of Medicare for 10 years, but it will do so at tremendous cost. In contrast, the President's plan will achieve the same extension of solvency without changing the Medicare benefits on which millions of elderly Americans depend. It will do so by moving home health care services from Part A of Medicare, which is financed entirely by beneficiaries, to Part B, which is only financed partially by beneficiaries. As we noted on the prior vote, this move will simply restore the status quo ante. A bipartisan commission needs to be formed to work out a mutually agreeable means of reforming Medicare. The President's proposal to transfer home health care services will give such a commission more time to work out a solution. We support the President's proposal, and thus oppose this amendment.